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INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 L-02 SS-15 NSC-05 /049 R

DRAFTED BY ARA/BC/B:MWCOTTER:EO

APPROVED BY ARA/BC:JEKARKASHIAN

EB/OA/AN:WBCOBB (DRAFT)

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R 150127Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

C O N F I D E N T I A L STATE 058536

E.O. 11652: GDS

TAGS: EAIR, BL

SUBJECT: CIVAIR: BILATERAL CONSULTATIONS, MARCH 12-13

REF: STATE 055621

1. MAJOR PART OF MARCH 12 DISCUSSIONS WAS DEVOTED TO CONSIDERATION OF PROPOSED AMENDMENTS TO BILATERAL AGREEMENT OF 1948. DIFFERENCES BETWEEN BOLIVIAN DRAFT OF A REVISED ARTICLE 9 AND EXISTING PROVISIONS IN SECTION III, PARAGRAPH C, OF THE ANNEX TO THE EXISTING AGREEMENT WERE RESOLVED AND DELEGATIONS DECIDED TO RECOMMEND THAT THE AGREEMENT BE AMENDED BY EXCHANGE OF NOTES TO INCORPORATE THE AGREED-UPON LANGUAGE. DELEGATIONS ALSO AGREED UPON LANGUAGE FOR A NEW ARTICLE 10, PARAGRAPHS A AND B, BASED ON U.S. DRAFT. THAT ARTICLE WILL PROVIDE A REGIME FOR SETTING AND CONTROLLING RATES CHARGED BY AIRLINES OF BOTH PARTIES

2. GOBDEL ALSO REQUESTED CONSIDERATION OF THE PROPOSAL THAT THE BILATERAL TAKE INTO ACCOUNT SUB-REGIONAL COMMITMENTS, CITING BOLIVIA'S MEMBERSHIP IN THE ANDEAN PACT AND THE CUENCA DE LA PLATA GROUP. USDEL RESPONDED THAT PURPOSE OF SUCH A CLAUSE COULD ONLY BE TO PERMIT POSSIBLE LIMITATION OF SERVICES TO 5TH FREEDOM POINTS, WHICH IS A MATTER NOT WITHIN THE PURVIEW OF A BILATERAL AGREEMENT. USDEL CHAIRMAN STATED THAT U.S. RECOGNIZES VALID CONCERN OVER

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LEVEL OF SERVICES PROVIDED IN LATIN AMERICA BY U.S.

CARRIERS AND PROPOSED FOR CONSIDERATION BY GOB A "PRE-SCREENING" AGREEMENT. SUCH AGREEMENT WOULD PERMIT BOTH

GOVERNMENTS TO MONITOR ROUTE CAPACITY AND TO CALL FOR CONSULTATIONS IF A PROPOSED SCHEDULE CHANGE IS NOT ACCEPTABLE. U.S. PRESENTLY HAS SUCH AGREEMENTS WITH SEVERAL LATIN AMERICAN COUNTRIES, INCLUDING BRAZIL AND VENEZUELA, AND GOBDEL WAS GIVEN COPY OF THE U.S.-BRAZIL AGREEMENT TO STUDY. USDEL EMPHASIZED THAT WE CONSIDER SUCH AN AGREEMENT A SIGNIFICANT OFFER ON THE PART OF THE USG. GOBDEL TOOK PROPOSAL UNDER ADVISEMENT.

3. IN DISCUSSIONS WHICH BEGAN LATE MARCH 12 AND CARRIED OVER INTO MARCH 13, GOBDEL RAISED POSSIBILITY OF INDIRECT USG COMPENSATION TO LAB. IN RESPONSE TO USDEL QUESTION SEEKING CLARIFICATION, GOBDEL MENTIONED FOLLOWING POSSIBILITIES: PERMISSION FOR U.S. CARRIERS TO ENTER INTO POOLING ARRANGEMENT WITH LAB; PROVISION OF CARGO AIRCRAFT; EXCHANGE OF LAB 727 AIRCRAFT FOR 707'S; INFRASTRUCTURE ASSISTANCE, ESPECIALLY IN AIRPORT CONSTRUCTION AND UP-GRADING; ELECTRONIC EQUIPMENT AND MACHINERY FOR EQUIPPING AIRPORTS. USDEL CHAIRMAN COMMENTED THAT THE NEEDS LISTED WERE MAJOR ONES, FAR BEYOND THE SCOPE OF CONSULTATIONS ON THE BILATERAL AGREEMENT. HE REMINDED GOBDEL, HOWEVER, OF FAA ADVISER IN LIMA WHO MIGHT BE ABLE TO ASSIST THE GOB WITH SOME EQUIPMENT FOR AIRPORTS. CHAIRMAN EMPHASIZED THAT "POOLING ARRANGEMENTS" REMAIN CONTRARY TO U.S. LAW AND POLICY, ALTHOUGH COOPERATIVE ARRANGEMENTS "ALONG A BROAD SPECTRUM" REMAIN POSSIBLE. GOBDEL THEN ASKED USDEL TO AGREE TO SIGN A SEPARATE DOCUMENT, PERHAPS IN THE MEMORANDUM OF UNDERSTANDING OF THE CONSULTATIONS, WHICH WOULD ESTABLISH THE PRINCIPLE OF "INFORMAL COMPENSATION TO LAB FOR THE UNILATERAL EXPLOITATION OF ROUTES BY BRANIFF". GOB CHAIRMAN SAID HE UNDERSTOOD FORMAL USG ACCEPTANCE OF THAT PRINCIPLE WOULD BE NECESSARY, BUT HE FELT THAT RECOMMENDATION OF USDEL WOULD ASSIST IN OBTAINING THAT ACCEPTANCE. HE NOTED THAT GOB HAS COOPERATED GREATLY WITH BRANIFF RECENTLY IN ANTICIPATION OF RECIPROCAL COOPERATION FROM U.S. AUTHORITIES.

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4. USDEL EXPRESSED GRAVE RESERVATIONS OVER ITS, OR USG'S, WILLINGNESS TO ACCEPT PRINCIPLE OF INDIRECT COMPENSATION BUT AGREED TO STUDY A SPECIFIC GOB DRAFT OF THE PROPOSED DOCUMENT. GOBDEL AGREED TO PROVIDE A DRAFT. USDEL ASKED WHETHER GOBDEL HAD STUDIED THE U.S.-BRAZIL CAPACITY AGREEMENT AND COULD INDICATE THAT CONCEPTS CONTAINED THEREIN WERE ACCEPTABLE. USDEL OFFERED TO PROVIDE A SPECIFIC DRAFT U.S.-BOLIVIA AGREEMENT. GOBDEL EXPRESSED DESIRE TO

SEE SUCH A DRAFT IN ORDER TO DETERMINE WHETHER THEY ARE EMPOWERED TO ACCEPT SUCH CONCEPTS NOW OR WHETHER THE DOCUMENT WOULD HAVE TO BE REFERRED TO HIGHER GOB AUTHORITIES. DELEGATIONS AGREED TO PRESENT RESPECTIVE DRAFTS

MORNING OF MARCH 14, AND MEETING ADJOURNED UNTIL THAT TIME. DELEGATIONS ALSO AGREED TO CONTINUE THE CONSULTATIONS UNTIL MONDAY, MARCH 17, IF NECESSARY.

5. COMMENT: GOB REQUEST FOR FORMAL USDEL ACCEPTANCE OF CONCEPT OF INFORMAL COMPENSATION PRESENTS SERIOUS PROBLEM. USG CANNOT ACCEPT THAT CONCEPT AND WILL HAVE TO SO INDICATE TO GOBDEL. THE BASIC DIVISION, UNFORTUNATELY, AROSE MIDWAY THROUGH THE CONSULTATIONS AND THREATENED TO CAUSE A BREAKDOWN BEFORE ANY POSITIVE RESULTS HAD BEEN OBTAINED. USDEL REQUEST FOR A DRAFT, BASICALLY, WAS MEANS TO BUY TIME. USDEL IS AUTHORIZED TO OFFER LA PAZ-NEW YORK ROUTE TO LAB IF GOB WILL ACCEPT "PRE-SCREENING" ARRANGEMENT TO DEAL WITH CAPACITY PROBLEM (THUS RESOLVING TWO BASIC AGENDA ITEMS REQUESTED BY GOB), AND THIS HAS BEEN MADE CLEAR INFORMALLY TO THE GOBDEL CHAIRMAN. IF AGREEMENT IS REACHED ON THOSE ISSUES, LACK OF AGREEMENT ON PRINCIPLE OF COMPENSATION WILL LOOM LESS IMPORTANT. IF, HOWEVER, GOBDEL DECIDES TO REFER "PRE-SCREENING" ARRANGEMENT TO GOB, NEW YORK ROUTE POSSIBILITY COULD NOT BE FORMALLY RAISED. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, NEGOTIATIONS, MEETING REPORTS, AIR ROUTE APPLICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE058536
Document Source: CORE
Document Unique ID: 00
Drafter: MWCOTTER:EO
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750092-0036
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750347/aaaabpuz.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 055621
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by ShawDG>; APPROVED <09 DEC 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: BILATERAL CONSULTATIONS, MARCH 12-13
TAGS: EAIR, BL, US
To: LA PAZ
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006